

DEPARTMENT OF THE INTERIOR,
Washington, July 11, 1935.

Hon. WILL ROGERS,
Chairman, Committee on Indian Affairs,
House of Representatives

MY DEAR MR. CHAIRMAN The Commissioner of Indian Affairs has brought to my attention your request for further consideration of House Joint Resolution 215, upon which I submitted an adverse report on April 15. The resolution would amend earlier legislation with reference to modification of timber contracts on Indian reservations.

The basis of the adverse report was the belief that the only general timber contract on any reservation which might be affected by the enactment of House Joint Resolution 215 would be one held by J. M. Bedford, covering the Crooked Creek unit on the Klamath Reservation in Oregon.

The Klamath Indians have voted against the Indian Reorganization Act and therefore will not be able to participate in loans authorized by that act to purchase a sawmill to manufacture the timber on the Crooked Creek unit, which is infected by beetles. The Department is anxious that the timber be cut and is therefore willing to withdraw its objection to the enactment of House Joint Resolution 215, provided the resolution is amended so that the consent of the Klamath Indians shall be obtained again to the modification of the Crooked Creek unit contract. If the contract is modified, after the Department receives assurance that Mr. Bedford will be able to carry out the terms of the modified contract, the modification will be advantageous to the Klamath allottees within the unit, in view of the fact that Mr. Bedford will be required to pay \$8 per thousand feet for a considerable quantity of timber on which advance payments had been made, or were due on June 16, 1933, when Public Act No. 81, Seventy-third Congress (48 Stat 311) was enacted. This price is more than double the present average price on the Klamath Reservation.

In view of the short time remaining before September 4, 1935, it is recommended that the resolution be changed to specify the 4th day of December 1935. In view of the facts stated, I recommend that House Joint Resolution 215 be enacted with the suggested amendment.

Sincerely yours,

HAROLD L. ICKES,
Secretary of the Interior.

Calendar No. 1694

74TH CONGRESS }
2d Session }

SENATE

{ REPORT
No. 1630 }

DEPOSIT AND INVESTMENT OF INDIAN FUNDS

FEBRUARY 24 (calendar day, MAR. 2), 1936.—Ordered to be printed

Mr. THOMAS of Oklahoma, from the Committee on Indian Affairs,
submitted the following.

REPORT

[To accompany H. R. 8588]

The Committee on Indian Affairs, to whom was referred the bill (H. R. 8588) to authorize the deposit and investment of Indian funds, having considered the same, report thereon with a recommendation that it pass with the following amendments.

On page 2, line 7, after the word "on" strike out the words "active checking accounts" and insert in lieu thereof the words "any deposit which is payable on demand".

On page 3, after line 20, add the following new section:

SEC. 3 Nothing contained in this act shall be construed as affecting the provisions of the Federal Reserve Act or regulations issued thereunder relating to the payment of interest on deposits.

These proposed amendments were suggested in a memorandum received from Mr. Ronald Ransom, of the Federal Reserve System, a copy of said memorandum is attached hereto and made a part of this report. There is also appended hereto the report of the Committee on Indian Affairs of the House of Representatives (H. Rept. No. 1673, 74th Cong.), which is made a part of this report as follows:

[H. Rept. No. 1673, 74th Cong., 1st sess.]

The Committee on Indian Affairs, to whom was referred the bill (H. R. 8588) to authorize the deposit and investment of Indian funds, having considered the same, report thereon with a recommendation that it do pass without amendment.

This bill has the approval of the Department as can be seen from the following letter from the Secretary of the Interior.

INTERIOR DEPARTMENT,
Washington, June 19, 1935.

Hon. WILL ROGERS,
Chairman, Committee on Indian Affairs,
House of Representatives

MY DEAR MR. CHAIRMAN. There is submitted herewith draft of a bill which would authorize the deposit of Indian funds in banks and the investment of such funds in United States bonds and any other bonds which the United States guarantees as to principal and interest.

T-2271

This bill, if enacted, would supersede section 28 of the act of May 25, 1918 (40 Stat 591), which is now relied upon as authority for the deposit and investment of Indian money. The repeal of this section is desired for the following reasons:

1. The provision authorizing the segregation of the common or community trust funds of any Indian tribe is not only obsolete but is inconsistent with the present policy of the Department, which is to conserve tribal assets.

2. Interest is required to be procured on all bank deposits, whereas section 115 of the Banking Act of 1933 prohibits the payment of interest on demand deposits by member banks of the Federal Reserve System. In view of these contrary provisions, it has been necessary to discontinue practically all Indian money checking accounts which has resulted in inconvenience and expense to the Indians as well as to disbursing agents of the Indian Service. The proposed legislation would continue the present requirement with respect to the payment of interest on tribal funds but would permit the establishment in proper cases of individual Indian money active checking accounts without interest.

3. Investments of Indian funds and collateral security for bank deposits are limited to United States Government bonds. The proposed bill would make eligible as investments and collateral security any bonds, or other obligations which are unconditionally guaranteed as to both interest and principal by the United States in addition to direct obligations of the Government. This would permit the purchase as investments and acceptance as collateral of bonds issued by the Home Owners Loan Corporation and the Federal Farm Mortgage Corporation, which should tend to aid the market for these bonds to some extent with no sacrifice of safety for the Indian money invested in such securities or secured thereby.

4. Security is required to be procured for all deposits which precludes relying upon the protection afforded by the membership of a bank in the temporary fund of the Federal Deposit Insurance Corporation. The new legislation would make it necessary for depositaries to furnish security only for the uninsured portions of deposits.

5. The last proviso of the section in question, requiring that the funds of the Five Civilized Tribes and the Osage Indians be deposited either in the banks of Oklahoma or in the United States Treasury, has operated to deprive these Indians of considerable income. It has frequently been impossible in the past to obtain adequate banking facilities within that State for available funds and as a result large sums of individual Indian money have had to be carried in the Treasury without interest. While the proposed bill would remove this restriction and permit the deposit of these funds in any qualified bank, it would be the policy of this Department, as it has been in the case of other funds not subject to the restriction, to give preference to the banks located within the State of Oklahoma in the selection of depositaries for the money.

It is believed that the proposed legislation would supply the deficiencies of the present law and result in benefit to the Indians affected thereby. I therefore recommend its enactment.

For convenience, there is enclosed copy of a comparative print showing the legislation now operative with language to be omitted enclosed with brackets and the new language underscored.

The Acting Director of the Budget advises that the proposed legislation is not in conflict with the financial program of the President.

Sincerely yours,

HAROLD L. ICKES,
Secretary of the Interior.

POSSIBLE CONFLICT BETWEEN H. R. 8588 RELATING TO DEPOSITS OF INDIAN MONEY IN BANKS BY THE SECRETARY OF THE INTERIOR AND SECTION 19 OF THE FEDERAL RESERVE ACT

The twelfth and thirteenth paragraphs of section 19 of the Federal Reserve Act prohibit the payment by member banks of the Federal Reserve System of interest on demand deposits and also provide that the Board of Governors of the Federal Reserve System shall limit by regulation the rate of interest which may be paid by member banks on time and savings deposits.

Pursuant to the above provisions, the Board has issued its regulation Q prescribing the maximum rate of interest which may be paid by member banks on time and savings deposits. A copy of regulation Q, which quotes the twelfth

and thirteenth paragraphs of section 19 of the Federal Reserve Act, is attached hereto.

The attached bill, H. R. 8588, which passed the House on February 3, 1936, and which has been referred to the Senate Committee on Indian Affairs, authorizes the Secretary of the Interior to withdraw from the United States Treasury and to deposit in banks to be selected by him the common funds of any Indian tribe held in trust by the United States, and on which the United States is not obligated by law to pay interest at higher rates than can be procured from banks. The bill also provides that the Secretary may deposit in banks to be selected by him funds held in trust by the United States for the benefit of individual Indians, and contains the following proviso:

"Provided, That no individual Indian money shall be deposited in any bank until the bank shall have agreed to pay interest thereon at a reasonable rate, except that the payment of interest may be waived in the discretion of the Secretary of the Interior on active checking accounts * * *."

While it is not believed that the provisions of this bill should be construed as amending or repealing by implication or otherwise affecting in any way any of the provisions of the Federal Reserve Act regarding the payment of interest on deposits by member banks, there is a danger that the bill would create confusion and conflicts of opinion on this subject; and it would seem desirable to eliminate this possibility.

The main purpose of the bill is to enable the Secretary of the Interior to deposit Indian funds in banks in order to obtain interest thereon; whereas under the provisions of the Federal Reserve Act member banks are forbidden to pay interest on any deposits except savings and time deposits.

The specific provision authorizing the Secretary of the Interior to waive interest on "active checking accounts" would raise the question whether Congress contemplated that the Secretary could not waive interest on demand deposits which did not constitute "active checking accounts", and this might lead to a conflict of opinion as to whether Congress intended to create an implied exception to the prohibition against the payment of interest on demand deposits. If this is the intent, it is in conflict with the clear provisions of existing law forbidding the payment of interest on demand deposits by member banks of the Federal Reserve System and insured nonmember banks.

In order to remove any possible conflict or confusion on this subject, it is suggested that the bill be amended as follows:

On page 2, line 7, strike out the words "active checking accounts" and substitute the words "any deposit which is payable on demand".

On page 3, after line 20, add the following new section:

"Sec. 3. Nothing contained in this Act shall be construed as affecting the provisions of the Federal Reserve Act or regulations issued thereunder relating to the payment of interest on deposits."